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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/05/09

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule (Nikkei)

Ozawa in deep trouble:

- 4) Top aide to Democratic Party of Japan (DPJ) President Ozawa arrested for taking illegal donations from shady construction company (Yomiuri)
- 5) Ozawa on his first secretary's arrest for accepting illegal donations: "No problem" (Mainichi)
- 6) Calls begin for Ozawa to resign his post as DPJ president (Yomiuri)
- 7) DPJ in state of shock by news of Ozawa's secretary having been arrested to taking illegal political donations (Sankei)
- 8) Other opposition parties shaken by the arrest of Ozawa aide, may rethink cooperation with DPJ (Mainichi)
- 9) Ozawa's troubles may weaken calls in the Liberal Democratic Party to replace Prime Minister Aso, affect timing of an early dissolution of the Lower House (Tokyo Shimbun)

Defense and security affairs:

- 10) Government ready to shoot down any rockets fired at Japan by North Korea (Yomiuri)
- 11) MSDF special forces unit to be dispatched on board destroyers for anti-piracy mission off Somalia (Yomiuri)
- 12) Prime Minister Aso's trip to Okinawa has been postponed (Mainichi)
- 13) Dispatch of six SDF officers to Nepal for peacekeeping effort has been extended (Yomiuri)

14) Representative of families of Japanese abducted by North Korea calls for "dialogue" with that country to get remaining abductees back (Nikkei)

Economy:

15) Revote on stimulus bills that include cash handout plan will occur today (Yomiuri)

16) JBIC to make \$5 billion available as loans to Japanese companies doing business overseas (Yomiuri)

Articles:

1) TOP HEADLINES

Asahi: Mainichi: Yomiuri: Sankei: Tokyo Shimbun
DPJ President Ozawa's secretary arrested on suspicion of hiding illegal donations made by Nishimura Construction Co.

Nikkei:

Public funds pumped into financial institutions around world nearing 100 trillion yen: Losses still continuing to expand

Akahata:

Source of vitality of Japanese Communist Party, Chair Shii delivers speech at Foreign Correspondents' Club

2) EDITORIALS

Asahi:

TOKYO 00000487 002 OF 010

(1) Arrest of DPJ President Ozawa's state-funded secretary: We want Ozawa to provide an explanation

(2) Global financial crisis accelerating: U.S. should not follow in footsteps of Japan

Mainichi:

(1) DPJ President Ozawa should clarify his responsibility

(2) Council on assistance for reconstruction of Gaza Strip:

Assistance should be provide in manner of meeting wishes of the weak

Yomiuri:

(1) Illegal donations by Nishimura Construction: DPJ President Ozawa should fulfill his accountability

(2) Global stock plunges: Do the best to avert March crisis

Nikkei:

(1) Ozawa's secretary arrested over suspicion of receiving illegal donations: Ozawa urged to offer full account

(2) ASEAN declaration reflects sense of alert

Sankei:

(1) Arrest over illegal donations by Nishimura Construction: Ozawa's responsibility is clear; Prime Minister should devote himself to settling pending issues

Tokyo Shimbun:

(1) Arrest of DPJ president Ozawa's state-funded secretary: Ozawa should give detailed explanations

(2) Escalation of financial woes: U.S. should take thoroughgoing measures

Akahata:

(1) Rising Sun flag and national anthem: Go back to days when there was no forced exercise

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 3

NIKKEI (Page 2) (Full)
March 4, 2009

09:30

Attended a cabinet meeting in the Diet Building.

10:06

Met at the Kantei with participants in the program to invite Japanese leaders living in the U.S. Later, met assistant deputy chief cabinet secretaries Fukuda and Hayashi.

12:54

Met Foreign Minister Nakasone and Foreign Ministry's Asian and Oceanian Affairs Director General Saiki.

13:31

Met deputy chief cabinet secretaries Matsumoto and Konoike. Matsumoto stayed behind.

14:45

Attended a meeting of the Upper House Fiscal and Financial Committee.

TOKYO 00000487 003 OF 010

16:52

Met LDP Youth Section Head Inoue at the Kantei.

17:23

Met Chief Cabinet Secretary Kawamura. Attended a meeting of the Council on Economic and Fiscal Policy.

19:00

Met Deputy Chief Cabinet Secretary Uruma.

19:25

Met second-term LDP lawmakers at his official residence, with Matsumoto. Matsumoto stayed behind.

4) Ozawa's first secretary arrested on suspicion of receiving illegal donations from Nishimatsu; Secretary is also chief accountant of Ozawa's fund-management organization

YOMIURI (Top play) (Excerpts)
March 4, 2009

The special investigation squad of the Tokyo District Public Prosecutors Office arrested yesterday Takanori Okubo, 47 -- the first state-funded secretary to Democratic Party of Japan President Ichiro Ozawa and the chief accountant of Ozawa's fund-management organization Rikuzankai -- on suspicion of violating the Political Funds Control Law in connection with a case in which Nishimatsu Construction Co., a second-tier general contractor headquartered in Tokyo's Minato Ward, made donations to lawmakers and others in the name of two political bodies headed by former Nishimatsu executives. The prosecutors' office also arrested a former Nishimatsu president, Mikio Kunisawa, 70, who has been indicted on violation of the Foreign Exchange and Foreign Trade Law, and two others on suspicion of violating the Political Funds Control Law. Nishimatsu's allegation that has come to light from the practice of bringing its off-the-book funds into Japan from overseas has now developed into a scandal involving the political community.

Also arrested was Akifumi Okazaki, 67, a former Nishimatsu general affairs department chief. Prosecutors searched yesterday afternoon the office of Rikuzankai, the fund-management organization in Minato Ward headed by Ozawa. Okubo has denied the charges.

Rikuzankai received donations from two political groups -- Shin Seiji Mondai Kenkyu-kai and Mirai Sangyo Kenkyu-kai -- which were established by Nishimatsu in 1995 and in 1998, respectively. The two groups headed by different former Nishimatsu executives were disbanded in 2006.

According to what was made public, Okubo received a total of 21 million yen in donation from the two groups between 2003 and 2006. He is suspected to have falsified the Rikuzankai's political funds reports in the knowledge that the donations were actually from Nishimatsu. Kunisawa and Okazaki are believed to have donated 10 million yen to Rikuzankai in the name of Shin Seiji Mondai

Kenkyu-kai, though the money was actually from Nishimatsu.

According to persons connected to Nishimatsu, Nishimatsu employees and their families paid their membership fees to the two political organizations and the company reimbursed the fees by raising their bonuses. Donation recipients and the amounts of donations were

TOKYO 00000487 004 OF 010

determined by the company's management head office chief overseeing its general affairs and accounting departments. Such a system was devised by Kunisawa, who was serving as the company's management head office chief at the time.

5) Ozawa on secretary's arrest for receiving illegal donations:
"There is no problem"

MAINICHI (Page 2) (Excerpts)
March 4, 2009

Allegations of the Democratic Party of Japan (DPJ) President Ichiro Ozawa's political office receiving illegal donations from Nishimatsu Construction Co. came to light yesterday. Ozawa appeared at party headquarters at 3:10 p.m., 70 minutes behind schedule. He attended an executive meeting that was participated by Deputy President Naoto Kan, Secretary General Yukio Hatoyama, Chairman of the DPJ Caucus in the House of Councillors Azuma Koshiishi, Diet Affairs Committee Chairman Kenji Yamaoka, and Policy Research Council Chairman Masayuki Naojima. Most of the time in the about one-hour meeting was spent on Ozawa's donation scandal, though other issues were also discussed, such as the timing for submitting a no-confidence motion against the cabinet and a censure motion against the prime minister. Ozawa reportedly said: "There is no problem at all. I have properly handled the money," adding: "If necessary, I myself will talk about this issue."

In a press conference in Morioka City on January 31, Ozawa said about the political donations from Nishimatsu Construction Co.: "We have reported the full amount of donations in accordance with the Political Funds Control Law. If contributions themselves are found illegal, I would like to consider what response we should take." In this connection, Ozawa reportedly stated in an executive meeting yesterday: "I believed they were personal contributions. If they are not, I will return them."

Around 4:20 p.m., Ozawa left party headquarters without responding to questions from reporters.

6) Calls for Ozawa to resign as DPJ president

YOMIURI (Page 1) (Full)
March 4, 2009

The first state-funded secretary of Ichiro Ozawa, leader of the main opposition Democratic Party of Japan (DPJ), was arrested yesterday on suspicion of receiving illegal corporate donations. There is a possibility that the arrest may develop into a question of whether Ozawa should step down from his post, since some DPJ lawmakers yesterday said that Ozawa cannot avoid political responsibility for the arrest of his top aide.

One executive member said: "Since Ozawa has denied the allegations, he will not quit his post." Some DPJ members however called for Ozawa's voluntary resignation in order to avoid affecting the next House of Representatives election.

Referring to political donations from the scandal-ridden Nishimatsu Construction Co. in a meeting yesterday of senior DPJ members, Ozawa said: "There is no problem. I've made clear all the money that came in and went out. If necessary, I will talk (about the issue)." He also added: "If the money was illegal, I will return it."

TOKYO 00000487 005 OF 010

Secretary General Yukio Hatoyama told the press corps last night in

Tokyo: "This issue does not immediately require a judgment (Ozawa's resignation)." He was negative about the resignation of Ozawa from the DPJ presidency.

The DPJ this morning will hold an emergency executive meeting at party headquarters where Ozawa will explain his situation. After the meeting, Ozawa will hold a press conference.

7) Arrest of Ozawa's top aid causing angry response, anxious mood in DPJ

SANKEI (Page 3) (Excerpts)
March 4, 2009

The arrest of the first state-funded secretary of Democratic Party of Japan (DPJ) President Ichiro Ozawa by prosecutors yesterday has been a great shock to party members. Some members are fiercely reacting to the arrest made at a time when the party was stepping up efforts in the ongoing Diet session to drive Prime Minister Taro Aso into a corner, aiming to grab political power in the next House of Representatives election. One member called the development "defamation of character," and another defined it as "a laid trap." But some members are already discussing whether Ozawa should step down. Internal strife over who would succeed Ozawa may be triggered in the party. Given that the party is somewhat "a hodge-podge group," as a party source said, Ozawa may have difficult time ahead in managing the party depending on future moves by anti-Ozawa members.

Seeing prosecutors entering the Ozawa's office in Tokyo on a TV news program in the Diet Building yesterday evening, a senior DPJ member said, "I can't believe it!" Another mid-ranking member also commented: "I have yet to learn the details. I don't know what is going on."

The DPJ has persistently been pressing Prime Minister Aso to quickly dissolve the Lower House. Focusing on weak public support of his administration in various opinion polls, the party anticipated that the party would be able to win a majority independently in the next election. There were some who raised objections to Ozawa's political stance and policies, but with an eye to the next Lower House election, the party banded together more or less.

Following the arrest of Ozawa's top aide, calls for his resignation are rising mainly from anti-Ozawa members. To minimize the negative impact of the case on the next Lower House election, a junior member said: "(Mr. Ozawa) should be replaced by former President Katsuya Okada."

A former party member who will run in the next election with party's endorsement also said: "Mr. Ozawa will have no choice but to resign. If no action is taken, the election will be very harsh for us," indicating that the change of party head will be unavoidable.

Secretary General Yukio Hatoyama, however, stressed, "This issue will not immediately come to a judgment" of Ozawa's resignation. Diet Affairs Committee Chairman Kenji Yamaoka also lashed out at the government and the ruling camp, remarking: "Doing such a thing is a sign of the approaching end. They made use of political power, and this is an impermissible act." An aide to Ozawa emphasized: "We

TOKYO 00000487 006 OF 010

should fight resolutely. A resignation of our head in response to the investigation maneuvered by the government would be falling into the trap of the government and the ruling camp.

8) Arrest of Ozawa's secretary shock other opposition parties; May impact on cooperative relations

MAINICHI (Page 5) (Full)
March 4, 2009

Takanori Okubo, 47, the first state-funded secretary of Democratic Party of Japan (DPJ) President Ichiro Ozawa, was arrested yesterday on suspicion of violating the Political Funds Control Law. The case has shocked and shaken other opposition parties, as well. Three

opposition parties -- the Japanese Communist Party (JCP), Social Democratic Party (SDP) and People's New Party (PNP) -- intend to watch how the DPJ handles the issue, while hearing Ozawa's explanations. However, the case will likely have some impact on their cooperation with the DPJ for the campaign for the next House of Representatives election.

JCP Diet Affairs Committee Chairman Tadayoshi Kokuta said: "President Ozawa is accountable for the case." He then pointed out: "Other DPJ and Liberal Democratic Party (LDP) lawmakers received a large amount of donations (from Nishimatsu Construction Co.)."

DPJ Secretary General Yasumasa Shigeno commented: "I want Ozawa to reveal the truth in order to clarify doubts."

"Since the case will have a major political impact, we will watch what decision Ozawa will make while investigations are going on," said PNP Secretary General Hisaoki Kamei.

9) Calls for early Diet dissolution, following arrest of DPJ President Ozawa's secretary: Some oppose it as too obvious behavior

TOKYO SHIMBUN (Page 2) (Almost full)
March 4, 2009

Following the arrest of Democratic Party of Japan (DPJ) President Ichiro Ozawa's secretary, some in the ruling parties are calling for looking into a possibility of early dissolution of the Lower House, taking the advantage of the opposition party's troubles, while others take the stand that dissolving the Lower House now could backfire, as it is too obvious a behavior. Taking a breather due to the other side's mistake, Prime Minister is determined to make a decision in a cautious manner, while nailing down how the DPJ will respond, as well as the trend of public opinion.

When asked about an impact of the arrest of Ozawa's secretary on the timing of Diet dissolution, Prime Minister Taro raised his voice with a stern look: "We are now preoccupied with economic stimulus measures. I am telling you that this is all we are concerned about. I do not think that when to dissolve has anything to do with it."

The prime minister had been assuming that the earliest timing for Diet dissolution would be late April, when an additional economic stimulus package, based on the fiscal 2009 supplementary budget, would have been compiled.

However, some ruling party members are beginning to take a view that calls for Diet dissolution in early April right after the enactment

TOKYO 00000487 007 OF 010

of the fiscal 2009 budget, seizing an opportunity when the DPJ is in turmoil, will mount.

Their argument is that public support ratings for the Aso cabinet are hovering around the 10 PERCENT level. Regarding approval ratings, too, the Liberal Democratic Party (LDP) is playing second fiddle to the DPJ. It is also deemed inevitable that the ruling camp will face an uphill fight in the upcoming Lower House election. At such a time, the golden opportunity brought about by a scandal involving the DPJ top leader should not be missed.

Other observers say that pressure for moving up Diet dissolution will gain ground, because even if the idea of dissolving the Diet right after the enactment of the budget is forgone, it would still be advantageous to go into the election while the DPJ is in a state of disarray. One veteran New Komeito lawmaker predicted, "The timetable for the next Lower House election will be moved up."

Opposition to early dissolution is also deep-rooted, because the LDP will not be able to gain support if it tries to use the politics and money issue as a campaign issue. It may only strengthen voter distrust in politics.

A senior LDP official pointed out: "Early dissolution of the Lower House would trigger criticism that the investigation has been launched as official policy. As such, there will be no change in the

original plan -- the Lower House will be dissolved after passage of the fiscal 2009 supplementary budget." A senior New Komeito official echoed this view, saying: "It is strange to take advantage of the DPJ's blunder. The ruling parties should face the election with policies."

10) Japan to intercept N. Korean rocket as well

YOMIURI (Page 4) (Full)
March 4, 2009

Concerning North Korea's ongoing moves in preparation for launching a ballistic missile, the government decided yesterday on a course of action to intercept such a projectile using a missile defense (MD) system should it fly across over to Japan.

North Korea announced Feb. 24 that it was preparing to launch a rocket to deliver an experimental communications satellite that it called an artificial satellite. In point of fact, however, North Korea is believed to be preparing to launch a Taepodong-2 long-range ballistic missile, which has a range of 4,300-6,000 kilometers, or an advanced type of the Taepodong 2, at a missile site in North Korea's northeastern district.

Defense Minister Hamada, meeting the press yesterday after a cabinet meeting, indicated that the government would collect intelligence concerning when North Korea will launch the projectile. "I don't know their intention, and there is no information to judge," Hamada said. However, Hamada referred to Japan's action to be taken when the projectile flies across over to Japan, saying, "Even in the case of a rocket, if there is a possibility of the rocket losing control and falling in Japan, we will take action, of course."

The Self-Defense Forces Law stipulates in its Article 82-2 that "in the case where ballistic missiles, etc." come flying to Japan, the Self-Defense Forces may destroy them in the skies in order to

TOKYO 00000487 008 OF 010

prevent them from causing damage to human lives or properties. This is based on an amendment of July 2005 to the SDF law. The government indicated in its Diet reply that the "ballistic missiles, etc." include satellite-launching vehicles and artificial satellites.

The MD system is a 'double-decker' missile intercept system. The Maritime Self-Defense Force's Standard Missile 3 (SM-3), a sea-based antiballistic missile system mounted on MSDF Aegis-equipped destroyers, will shoot down ballistic missiles in outer space. In case the SM-3 fails, the Air Self-Defense Force's Patriot Advanced Capability 3 (PAC-3) will intercept them in their terminal phase before their landing at an altitude of 10 kilometers or so. The SM-3 is currently mounted on two MSDF Aegis destroyers, the Kongo and the Chokai. The PAC-3 is deployed at a total of six ASDF bases, broken down into four bases in the metropolitan area and two other bases in Hamamatsu and Gifu.

So far, the MD system has not been used actually. In the past, the SDF has gone through three intercept tests with the MD system. The PAC-3 was successful in one of the three intercept tests, and the SM-3 also made it in a test. However, the Chokai failed to shoot down a mock-up missile in an SM-3 test conducted in November last year with the degree of difficulty raised. "Given the U.S. military's test results as well, the probability of successful intercept is considerably high," a senior Defense Ministry official said. "But," the official added, "it could change with various factors like what type of missile they will launch, where they will launch, and where the missile will land."

11) MSDF special troops bound for Somalia waters

YOMIURI (Page 2) (Full)
March 4, 2009

The Defense Ministry and the Self-Defense Forces decided yesterday to have the Maritime Self-Defense Force's Special Security Team (SST) onboard two MSDF destroyers to be sent out for an antipiracy mission in waters off the eastern African coast of Somalia. More

than 10 SST members are expected to be dispatched there. They will be mainly in charge of using weapons for such purposes as firing warning shots to halt pirate ships, using 12.7mm machineguns and 7.62mm machineguns respectively mounted on the MSDF destroyers and their helicopters. "We want to utilize the STT members' high-level shooting capability," MSDF Chief of Staff Keiji Akahoshi told a press conference yesterday.

12) Prime minister not to visit bases during his visit to Okinawa; LDP fears his possible verbal gaffe

MAINICHI (Page 5) (Abridged slightly)
March 4, 2009

Shinichiro Nishida, Teruhisa Mimori, Yuhiko Sakaguchi

Prime Minister Taro Aso is scheduled to make a one-day trip to Okinawa on March 7 for the first time since assuming office. While in Okinawa, he is expected to exchange views with Governor Hirokazu Nakaima and carry out other events. Nevertheless, he is likely to forgo such plans as visits to Futenma Air Station in Ginowan and the coastal area of Camp Schwab in Nago, the planned relocation site for Futenma, that are now in focus regarding U.S. force realignment. The government seems to be backing away from the sticky issue from

TOKYO 00000487 009 OF 010

concern that a comment by the prime minister might cause confusion, in addition to its failure to come up with a way out of the relocation issue.

Okinawa is demanding that the envisaged replacement facility be moved from Camp Schwab to an offshore area. Washington is calling for the relocation of the facility to Camp Schwab's coastal area, as was agreed upon with Tokyo. Torn between the calls of Okinawa and the United States, the government finds it difficult to make a new proposal.

Under the former Fukuda administration, the Futenma relocation council met five times to look for a breakthrough. The council has never met under the current Aso administration. A lawmaker representing Okinawa said: "We will not let the prime minister visit the base. There is no gift and we fear that he might make a slip of the tongue." A prime ministerial aide also noted: "We have advised the prime minister not to say casually, 'The ocean is beautiful,' because such might be connected to the Futenma issue."

Expectations in Okinawa are not high, either. A prefectural official said: "The governor ordered us to prepare basic data on bases. Other than that, he didn't say anything. To begin with, even if a request is made to Mr. Aso, nothing would happen." Okinawa apparently does not pin high hopes on Prime Minister Aso who is struggling with plummeting support ratings and a loss of momentum.

Sakae Toyama of the Peace Citizens' Network conducting an anti-base campaign also critically said: "The Guam International Agreement has been concluded and there are Diet deliberations, as well. If he does not visit bases here, why is he going to visit Okinawa in the first place?"

13) SDF's PKO mission in Nepal to be extended

YOMIURI (Page 4) (Full)
March 4, 2009

Japan has sent six Ground Self-Defense Force members to Nepal for the United Nations Mission in Nepal (UNMIN) under the Law for Cooperation in United Nations Peacekeeping Operations or the so-called PKO cooperation law. In this regard, the government decided yesterday to extend their dispatch to Nepal for six months from late March to Sep. 30. The UNMIN has been conducting military surveillance activities in Nepal.

14) Former abductee Kaoru Hasuiki favors Japan using "dialogue" in its diplomacy toward North Korea

NIKKEI (Page 2) (Full)

March 4, 2009

Kaoru Hasuike, deputy representative of the Association of Families of Abducted Victims, attended a meeting yesterday of the Parliamentarians League to Promote Normalization between Japan and North Korea (chaired by Taku Yamasaki). Hasuike stressed that "dialogue" should be promoted in Japan's foreign policy toward North Korea, saying: "The government needs to think about what the origin is of North Korea's anger and resentment toward Japan. We have reached an important time when a flexible response is necessary." He proposed the realization of an early meeting between the parents of Megumi Yokota and her daughter Kim Hye Gyong.

TOKYO 00000487 010 OF 010

15) Issuance of cash handouts to start tomorrow at earliest; Lower House today readopts bills related to fiscal 2008 budget

YOMIURI (Page 1) (Full)
March 4, 2009

Bills related to the fiscal 2008 budget, which include the cash-handout program, will clear the Diet today. Following this, Nishiokobe Village in Hokkaido is expected to start issuing cash handouts on March 5, the earliest start across the nation, the Yomiuri Shimbun found this yesterday through a nationwide survey.

The Ministry of Internal Affairs and Communications has decided to start delivering the money the day after the bills are passed by the Diet, based on the requests of local governments. According to the survey, three villages have requested the issuance of the cash handouts on March 5. Nishiokobe Villages says that it will start the transfer proceeding tomorrow and its residents will be able to receive cash by hand. There are 650 households in the village. Of the 650 households, 116 residents will receive the money. The application papers for the cash-handout program were sent on Feb. 26 and the applications have been accepted since March 2.

As to the other two villages, Kitayama Village in Wakayama Prefecture is scheduled to begin handing out the money in principle on March 6 (to 512 residents of the 264 households); and Nishimeya Village in Aomori Prefecture, on March 9 (to 1,595 residents of the 537 households).

16) Government to loan 5 billion dollars to JBIC

YOMIURI (Page 8) (Full)
March 4, 2009

In a press conference after a cabinet meeting yesterday, State Minister for Economic and Fiscal Policy and Finance Minister Kaoru Yosano announced that the government will loan the Japan Bank for International Cooperation (JBIC) some of the reserve funds in the Foreign Exchange Fund Special Account. The government intends to offer about 5 billion dollars in loans to JBIC in March for overseas business operations by Japanese firms.

Yosano emphasized the need to provide loans: "It is necessary to take every possible measure to facilitate financing prior to the end of this fiscal year, when companies will face the second hardest time in raising funds." This will be a provisional measure effective until the end of fiscal 2009. As for the amount of loans in April and beyond, the government will make a decision upon carefully looking into demand for dollar-based loans.

Yosano also announced that the total amount of loans offered by the Development Bank of Japan to companies will be increased from the current 1 trillion yen to 1.5 trillion yen. To take this measure, the government will apply the elastic clause, which allows it to expand a budget amount without Diet deliberations in case of emergency.

ZUMWALT